

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:) **Chapter 11**
)
POLARIS OPERATING LLC, et al.) **Case No. 23-32810 (CML)**
)
Debtors.¹) **(Jointly Administered)**

**STATEMENT OF CONTANGO OIL AND GAS, LLC IN SUPPORT OF DEBTORS'
EMERGENCY MOTION TO ENFORCE SALE ORDER**
(Relates to Docket No. 307)

Contango Oil and Gas, LLC (“Contango”), by and through undersigned counsel, hereby submits this statement (“Statement”) in support of the *Debtors’ Emergency Motion to Enforce Sale Order* [Doc. No. 307] (the “Motion to Enforce”).

STATEMENT

1. While the Motion to Enforce filed by the Debtors relates to the Debtors’ sale of assets to BRS Mesa Vista Partners, LLC and does not specifically relate to the sale transaction between the Debtors and Contango, duplicative issues have arisen in the efforts to finalize the Debtors’ sale to Contango. Consequently, Contango files this statement in support of the Motion and to highlight for the Court certain duplicative issues that have arisen in connection with the Court approved sale to Contango.

2. In accordance with the Debtor’s bidding procedures approved by the Court on November 21, 2023, Contango submitted a bid and participated in an auction for the Debtors’ assets on December 15, 2023.

¹ The debtors and debtors in possession in these chapter 11 cases, along with the last four digits of their respective Employer Identification Numbers, are as follows: Polaris Operating, LLC (9852); Cottonwood Gas Gathering, LLC (8983); NAP I, LLC (6767); CCCB Energy Partners, LLC (5918); The Debtors’ service address is: 5944 Luther Lane, Suite 400 Dallas, TX 75225.

3. Following the conclusion of the auction, the Debtors filed its Notice of Winning Bidders on December 15, 2023 (Doc. No. 235) indicating that Contango was the successful bidder on the Masterson Assets and Mesa Vista Operating² was the successful bidder on the Mesa Vista Assets.

4. On December 20, 2023, the Court conducted a hearing on the Debtors' request to approve the sale of the Masterson Assets to Contango and the Mesa Vista Assets to Mesa Vista Operating ("Sale Hearing").

5. Following the Sale Hearing, the Court entered orders approving the two separate sales to Contango and Mesa Vista Operating.

6. Following entry of the order approving the sale to Contango, counsel for Contango and the Debtors commenced discussions with the Railroad Commission of Texas ("RRC") in late December 2023/early January 2024 through the RRC's counsel in the above referenced bankruptcy case.

7. Two issues have arisen in the context of the discussions. First, the RRC has indicated that in order to approve transfer of the leases, the parties would have to submit the leases to a good faith claims review ("GFC") whereby (as undersigned counsel understands it) the Debtors and Contango would need to go through a hearing process at the RRC to prove that the leases being transferred are valid. It is unclear to Contango how long this process will take. Early indications from the RRC are that this process could extend past the Summer of 2024 and then some.

8. From Contango's perspective, the Bankruptcy Court oversaw a process to sell the leases. The counterparties to the leases were properly noticed and no party suggested that the

² Upon information and belief, BRS Mesa Vista Partners, LLC is successor in interest to Mesa Vista Operating.

leases were not valid. In fact, certain parties objected to the sale asking for proof that Contango could perform under the leases which further suggests that the leases are valid. Contango has serious concerns about a process to prove the validity of the leases that could extend until the end of 2024 and delay a transfer under the sale for an extended period under the circumstances. Contango is unaware of any statute, rule, or regulation that would require a GFC and the RRC has not cited to any statute, rule, or regulation that would require a GFC under the circumstances.

9. Second, the RRC indicated that for any transferred wells that needed to be plugged and abandoned (“P&A”), such P&A would have to be completed within six (6) months of the transfer. While certain extensions are possible for such work, those extensions are solely in the discretion of the RRC.

10. At the Sale Hearing, Contango raised a concern that additional time would be needed to plug the twenty-six wells contemplated under the sale of the Masterson Assets.

11. To address this concern, the Debtors and Contango are modifying their agreement to allow Contango to simply provide for the P&A of the twenty-six wells at issue without a formal transfer. Still, Contango does not believe it is possible to complete the required P&A obligations within a six-month time period.

12. Contango believes that these issues are negatively impacting its purchase of the Masterson Assets, but also Mesa Vista Operating’s purchase of the Mesa Vista Assets.

13. Contango remains committed to the purchase of the Masterson Assets and understands that the Debtors are also committed to the selling the Masterson Assets to Contango but wanted to bring the above referenced issues to the Court’s attention in order to update the Court on the status of the proposed sale.

14. Further because many of the issues referenced in the Motion to Enforce are like the issues present in the sale of the Masterson Assets, Contango wanted to highlight those similarities and voice its support of the Debtors in efforts to close both transactions.

RESERVATION OF RIGHTS

15. Contango files this Statement without limitation or waiver of any rights, claims, or defenses against any party.

Dated: March 28, 2024

BAKER & HOSTETLER LLP

/s/ Jimmy D. Parrish

Jimmy D. Parrish, Esq.

So. Dist. Fed ID 2687598

200 S. Orange Avenue, Suite 2300

Orlando, FL 32801

Telephone: (407) 649-4000

Facsimile: (407) 841-0168

E-mail: jparrish@bakerlaw.com

Orlbankruptcy@bakerlaw.com

*Attorney for Contango Oil and Gas,
LLC*

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on March 28, 2024, a true and correct copy of the foregoing has been served through the CM/ECF system to all registered CM/ECF recipients.

/s/ Jimmy D. Parrish

Jimmy D. Parrish